Record Request DTE-6 (Supp):

Please refer to Attachments RR-DTE-6(a) and RR-DTE-6(b), the Company's response to RR-DTE-6. Please add to these calculations the storage and citygate data for the years 1999-2000, and the revenue that the release of this capacity for the heating season at maximum rate would have generated for the Company.

Response:

Please refer to the attached charts itemizing the applicable capacity release revenues associated with citygate service and storage service.

RR-DTE-6 (a) (Supp) compares the costs of using a citygate supply option, including revenues that would be available to the Company associated with releasing the Company's Transco capacity, with the costs of the National Fuel storage contracts. The Company has released Transco capacity at maximum rates during the last three years. However, because the Company will now use this transportation to move National Fuel storage withdrawals to its citygate, this revenue will not be available to the Company.

In analyzing how revenues relating to the release of Transco-related capacity compares to National Fuel storage costs, the attached analysis demonstrates that, over the four-year period from 1999-2002, the costs of procuring National Fuel storage would have been slightly (approximately $6,000) more expensive than citygate-related costs. However, the National Fuel storage is a much more reliable supply option to meet the Company's design winter deficiency. First, National Fuel interconnects with Tennessee Gas Pipeline at multiple locations and, therefore, it can be delivered to the Company's Worcester division via that pipeline as an alternative to deliveries on Algonquin in the event that supplemental supplies are required on Tennessee. Moreover, it may be scheduled on an intramonth or intraday basis in response to temperature changes and the Company's demand requirements (citygate supplies are typically purchased on a uniform daily basis and at a specific location). Accordingly, the National Fuel storage was determined to be the preferred option for the Company going forward based on a balancing of cost and non-cost factors.

For further comparison, the Company has attached RR-DTE-6 (b) (Supp), which includes Algonquin capacity release revenue in its calculation of National Fuel Gas storage related costs. However, the release of Algonquin capacity is not a practical option for the Company because it would have the effect of reducing design day system deliverability on the Algonquin system and increased Company use of its LNG inventories, which have also been constrained. In addition, because the Company had (prior to its National Fuel storage acquisition) available TETCO/AGT storage deliverability of 55,567 Dth/day and only 49,624 Dth/day of available Algonquin transportation capacity for storage deliveries, the Company would be unlikely to release Algonquin capacity during the winter season even if it were to procure supplemental firm citygate supplies. Accordingly, the Company's analysis outlined in RR-DTE-6 (a) (Supp) reflects a more realistic comparison of the Company's citygate options and its National Fuel storage contract costs.